



Mexico's Aerospace Summit

Industry Analysis - Near Shore Manufacturing

Queretaro, Mexico

October 4-5, 2012



MEXICONOW

Mexico's Aerospace Summit

INDUSTRY ANALYSIS - NEAR SHORE MANUFACTURING
Conference • Exhibition • B2B • Plant Visits
Queretaro, Mexico
October 4-5, 2012
Queretaro Congress Center

PLANT VISITS
SAFRAN – BOMBARDIER – ITR
PCC AEROSTRUCTURES - AERNNOVA
AERONAUTICS UNIVERSITY OF QUERETARO

Flags of participating countries: Brazil, China, Spain, Sweden, Mexico, Japan, France, Germany, United Kingdom, United States, Belgium, Canada, Italy, Netherlands, Switzerland.



THE AEROSPACE INDUSTRY IN MEXICO AND ITS PERSPECTIVE

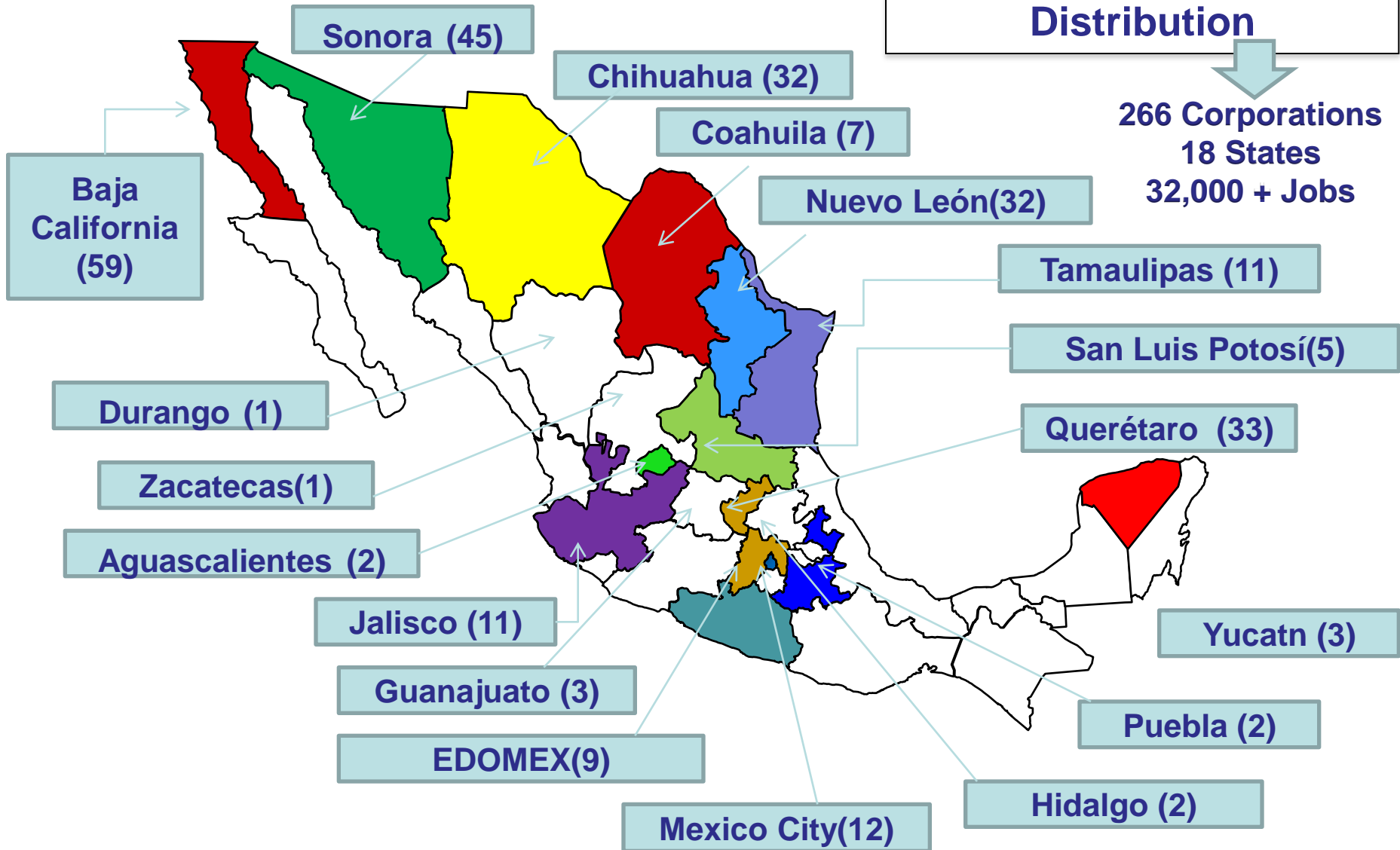
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- **Opportunities in the Aerospace Industry in Mexico**
- **Challenges in the Aerospace Industry in Mexico**

The Aerospace Industry in Mexico

Location and Geographical Distribution

266 Corporations
18 States
32,000 + Jobs



The Aerospace Industry in Mexico at the glance



- A new industry with remarkable growth since 2002 (20%+ year/year)
- Over 266 companies: 79% Manufacturing 11% MRO & 10% Development & Engineering
- Employment: Over 32,000+ in 18 States
- Exports: \$3.4B USD (2010) and >\$4.5B USD (2011)
- Expecting a 14% annual growth in 2012
- In 2015, expect to have 37,000 employees, with 350+ companies and generate \$7.5 billion USD., with 30% more of national supply
- With a new competitive industrial platform less than 10 years

The Aerospace Industry in Mexico at the glance



- **Current Industry Investment (Foreign and Direct) around \$13.5B**

- **Estimated FDI and NDI \$4.7B USD from 2008 to 2011**

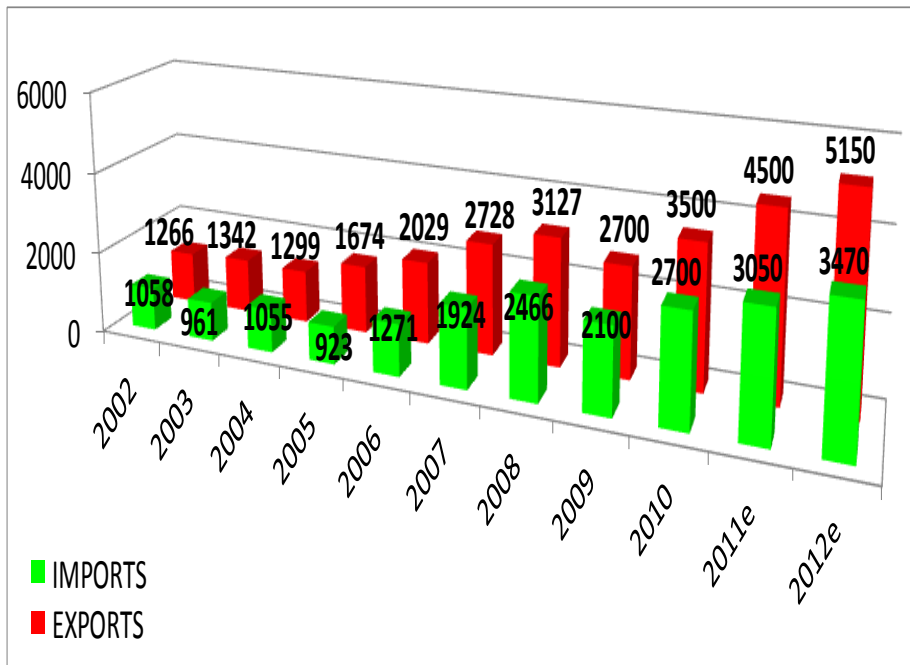
- **Eighteen known new projects have been announced in 2011 and 2012**

- **The largest recipient of FDI in the sector worldwide in last three years**

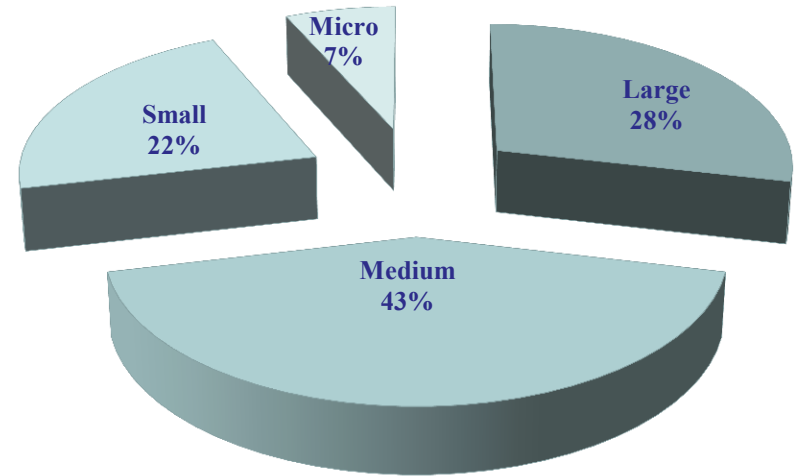
- **10th largest supplier to the US market, and numbers are improving**



The Aerospace Industry in Mexico at the glance



Structure by number of Employees



Source: S.E

Size	No. de Employers
Micro	1 - 10
Small	11 - 50
Medium	51 - 250
Large	More than 251

15 corporations with over 500 employees, 8 in Baja California, 2 in Chihuahua, 3 in Querétaro and 1 in Coahuila and Tamaulipas.

The Aerospace Industry in Mexico at the glance

Suppliers of OEMs by aircraft model in Mexico

Corporation	Model	# of suppliers	# of suppliers in Mexico*	Percentage
Airbus	330-300	355	16	4.5
Airbus	A380	399	20	5.0
Boeing	787	299	14	4.7
Boeing	747-400	354	12	3.4
Bombardier	CRJ200	299	13	4.3
Embraer	ERJ 135	279	17	6.1

* Identified suppliers not necessarily supply parts for the mentioned models

Source: S.E.and AROSPACE DATABASE, PROGRAM TRACKER

Opportunities in the Aerospace Industry in Mexico

- Industry up cycle: Large OEMs driving market standards (BOEING and AIRBUS)
 - Incremental trend for back log order in Q1 (2012) 7,012* versus an avg output capacity of 1,800 aircraft per year!
 - Back log orders close to 7 years
- Medium OEMs (BOMBARDIER(CAN.), EMBRAER(BRA.), MITSUBISHI(JAP.), SUKHOI AND IRKUT(RUS), COMAC AND AVIC(CHINA), have a 5 year backlog orders
- Private planes and helicopters(CESSNA, HACKER BEEHCRAFT, DASSAULT, GULFSTREAM, GRUMMAN, BELL, SICORSKY, AUGUSTA, EUROCOPTER) have a 3 year backlog orders
- World's current commercial fleet 18+ years old and over 20,000 aircraft must be replaced within 9 years!
- The defense market is over 4-5 times the commercial aerospace market, which is aprox 550 billion USD

*Aerospace Market News

Opportunities in the Aerospace Industry in Mexico

- **Government agencies and FEMIA working together,**
 - Identifying business opportunities in specific regions (from Industrial Parks Facilities to Cluster-ization)
 - “Walking the Talk” in International events together
 - Developing a National Aerospace Strategic Program to optimize business opportunities
 - Reviewing competitive environment to jointly develop attraction for NDI & FDI

Challenges in the Aerospace Industry in Mexico

- Increasing local capacity for certification to attract local companies to the sector
- Continuous supply of human talent to meet industry needs
- Rationalization of government incentives in Engineering & Development
- Optimize regional comparative and competitive advantages
 - Geographical positioning
 - Infrastructure connectivity
 - Free Trade Agreements networking
 - Same time zone working
 - High capacity to react to new product requirements
 - Wassenaar Agreement
- Avoid waste of limited resources

The National Strategic Program of the Aerospace Industry “Pro-Aereo”

FEMIA with the support of the Mexican government, has created the “Pro-Aereo” This program is based on key strategies, milestones and goals through 2020 as outlined below:

Goals through 2020:

- To be within the 10 largest suppliers of the aerospace industry in the world in exports.**
- To reach over \$12 billion USD in exports a year.**
- To have over 110,000 workers in the aerospace business**
- To reach 50% of local content in our raw materials and products in the aerospace industry**

Thanks

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BACK-UP

The National Strategic Program of the Aerospace Industry

FEMIA with the support of the Mexican government, has created the “Pro-Aereo” This program is based on key strategies, milestones and goals through 2020 as outlined below:

KEY STRATEGIES:

- 1. - Promotion and development of internal and external markets, defining our niches and creating the instruments to support our continuous growth.**
- 2. - Strengthen and develop our aerospace industry capabilities with a linked Supply Chain. Develop local suppliers and encourage cluster development throughout Mexico.**
- 3. - The development of the necessary human assets of the industry, with well defined technical and training programs and education-industry links.**
- 4. - Development of the necessary technology including specialized clusters, new areas of technology, R&D labs and development of new materials.**
- 5. - Development of the public-private programs required to assist the growth of the industry, with an institutional frame, Governmental leadership, incentives and financing, international covenants and including infrastructure, certifications required by the industry, logistics and technical centers.**

The National Strategic Program of the Aerospace Industry

Milestones to be reached:

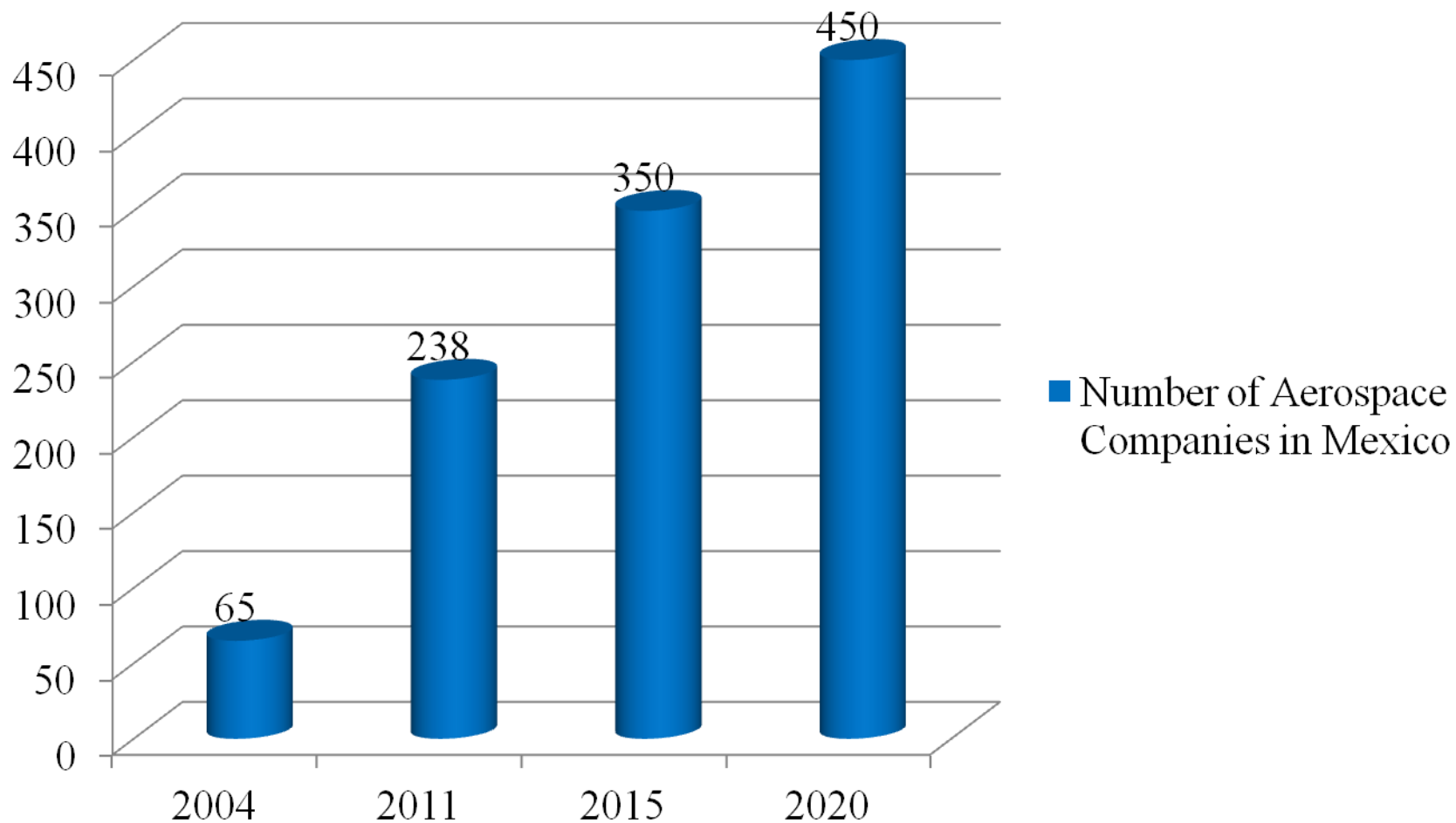
- **The establishment of a formal coordination and administrative-management mechanism between industry and government.**
- **Active manufacturing participation in international programs to access new technologies and markets.**
- **To enact the establishment of a formal “buy-local” strategic program.**
- **The establishment and implementation of “Offsets” compensation systems to benefit corporations established in the country.**
- **To create specific support and incentive programs for the aerospace sector.**
- **An access to a specific financial line for the aerospace industry.**
- **The Opening of a Proof Testing Aerospace Lab to service the industry.**
- **To design, to develop, to manufacture and to assemble an engine module.**
- **To support the assembly of the first series airplane with 50% local content.**
- **To place our country as the first aerospace service HUB in Latin-America.**

The National Strategic Program of the Aerospace Industry

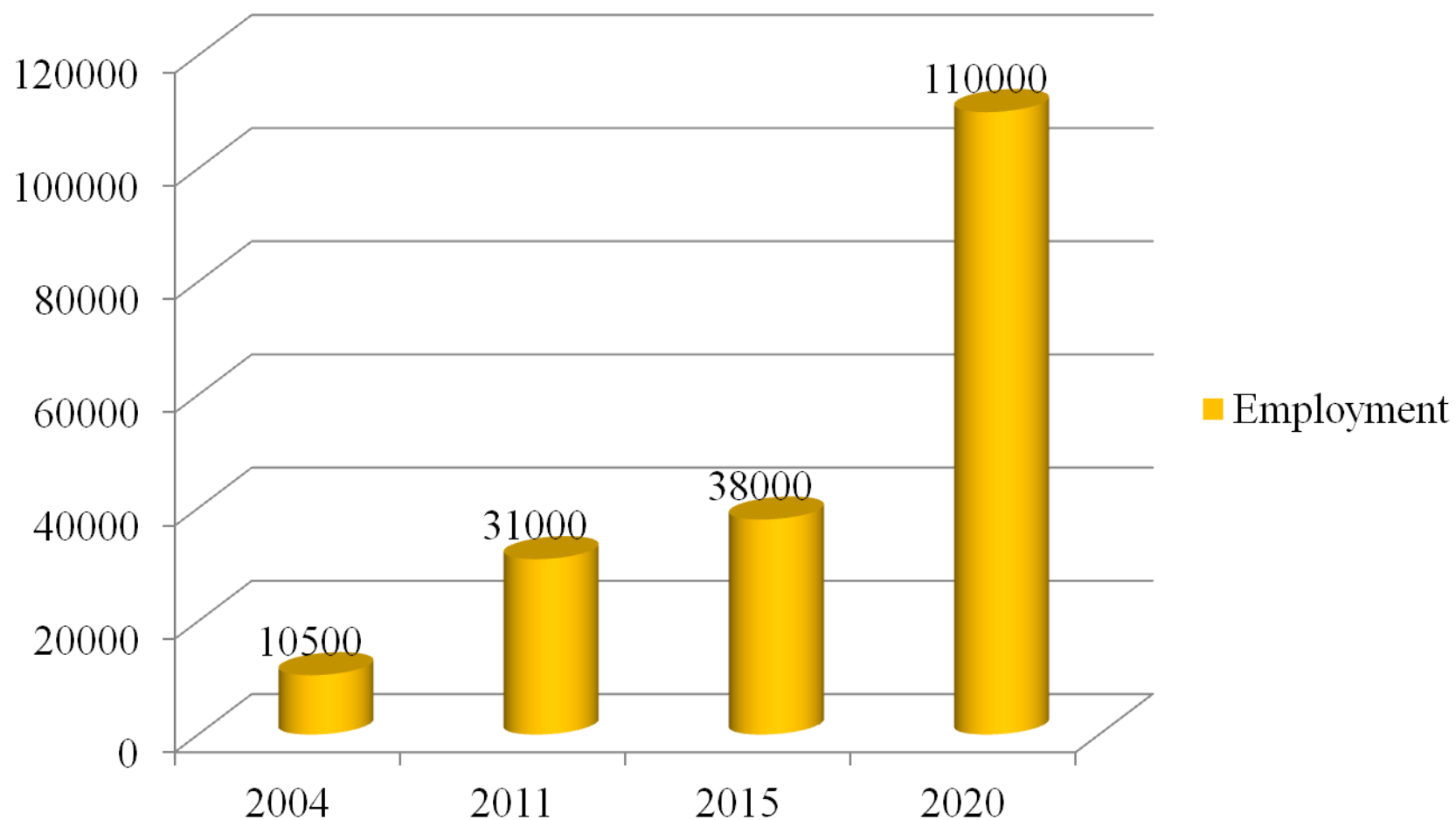
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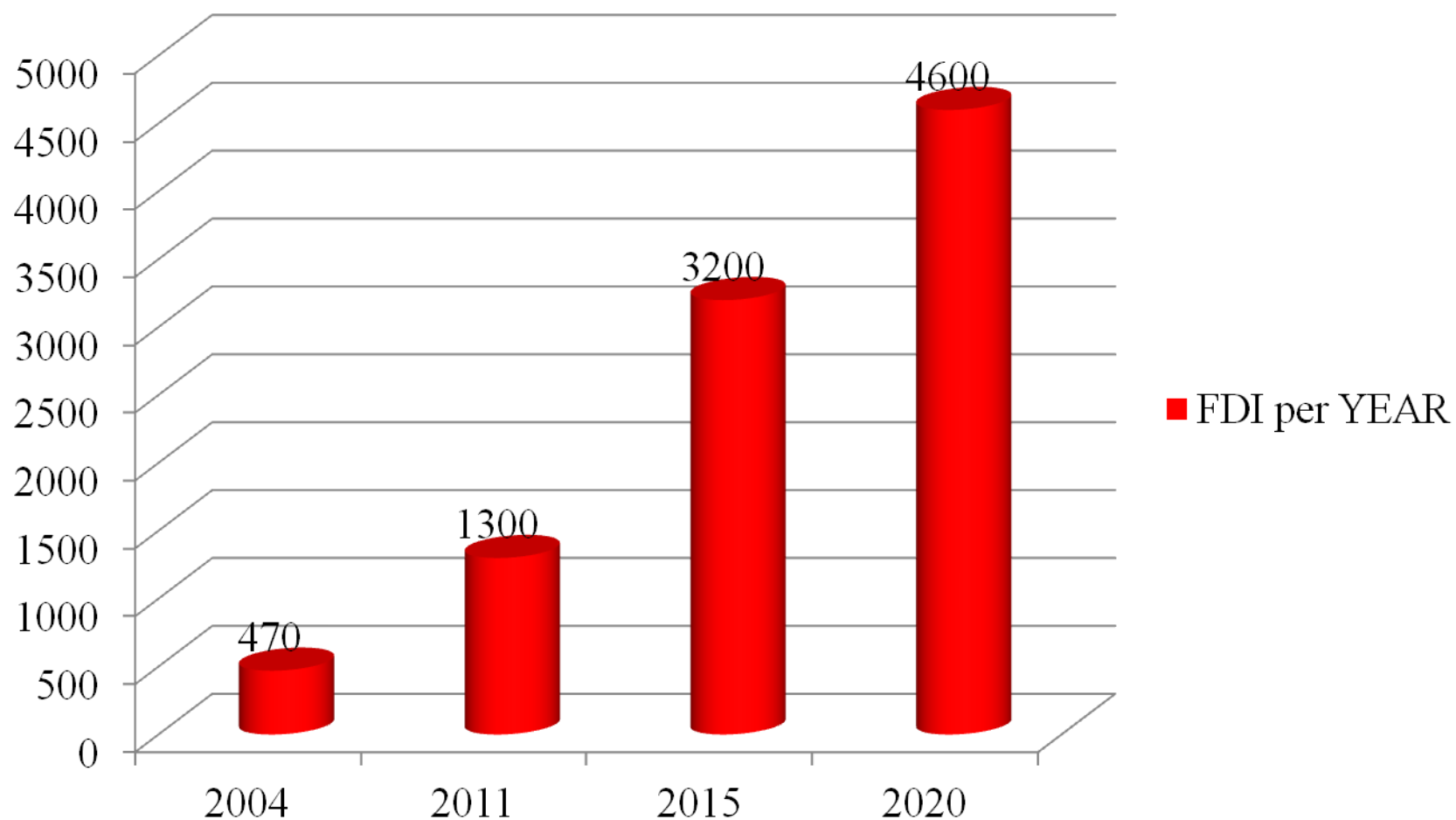
Number of aerospace companies in Mexico



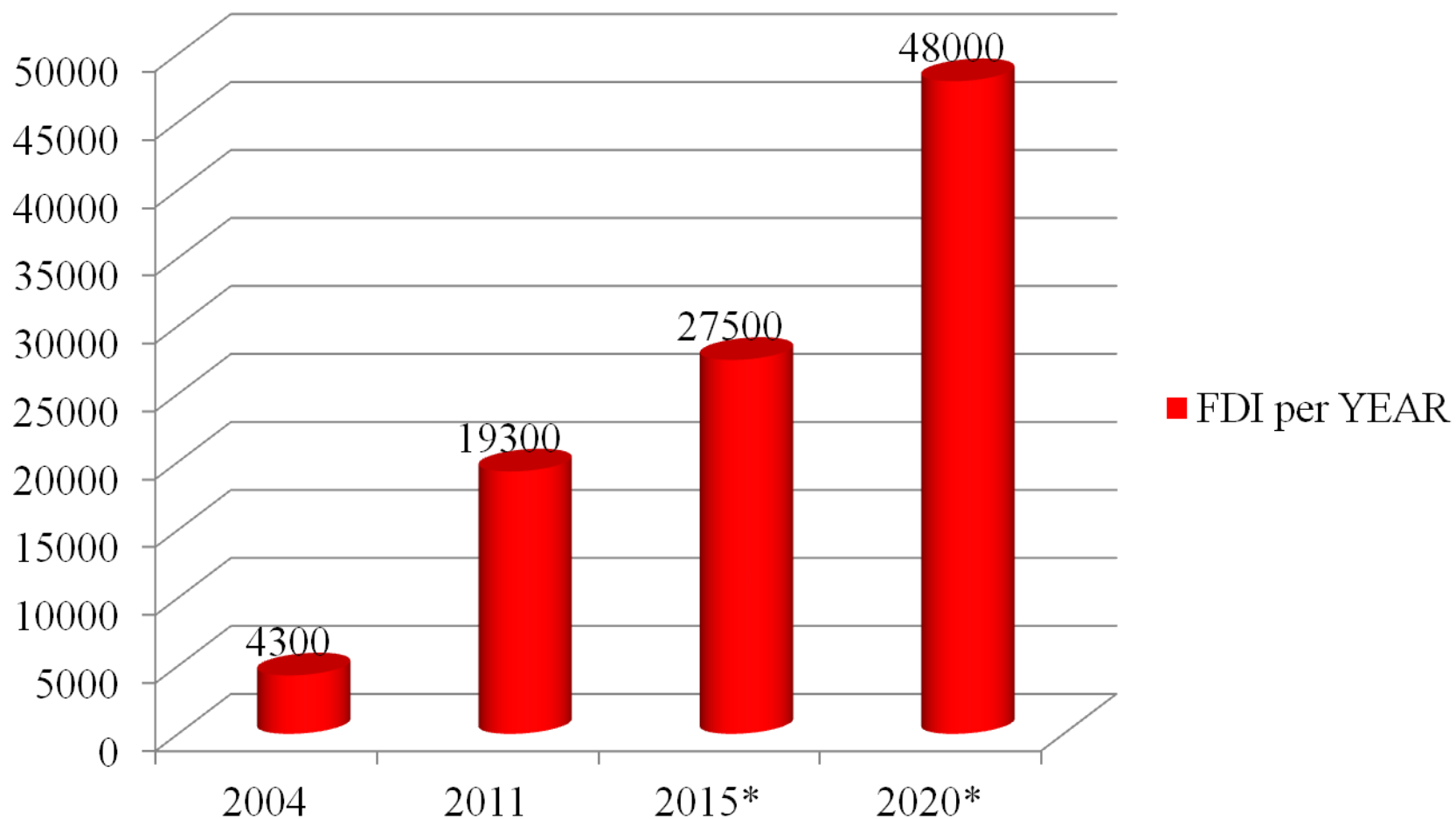
Employment



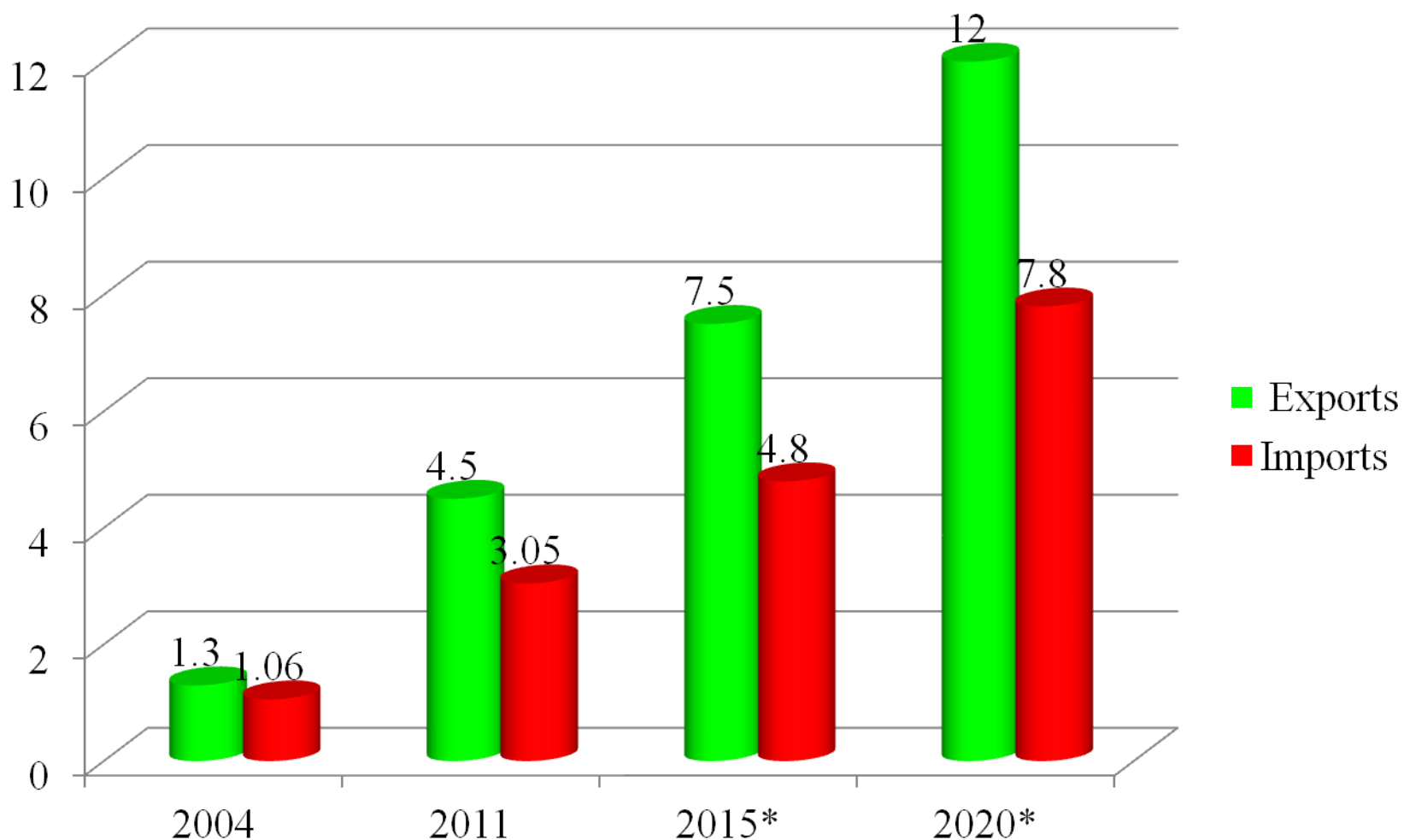
Foreign Direct Investment per Year (FDI)



Accumulated FDI



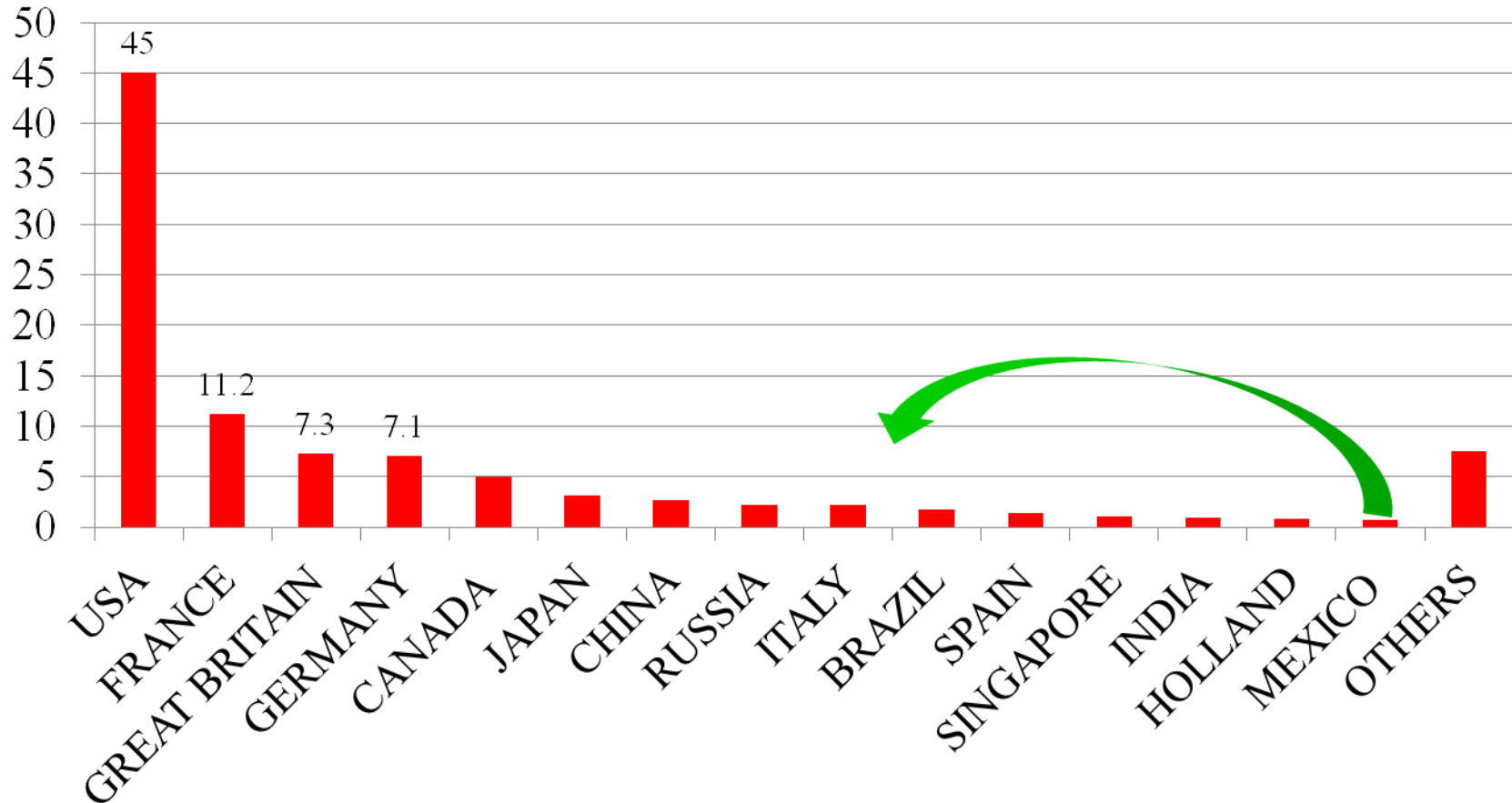
Trade in the Aerospace Industry



FACTS OF THE ACTUAL AEROSPACE INDUSTRY IN MEXICO



PERCENTAGES OF THE COMMERCIAL AEROSPACE INDUSTRY OF THE WORLD



Final Remarks

Mexico a place to do Aerospace Business

- Mexico: Cross road of the World
- Mexico: Young and energetic labor force
- Mexico: Good Infrastructure
- Mexico: Partnering government
- 25% + growth in International Trade in 2011
- Mexico: Regulatory environment in the making
- Mexico: Increasing its industrial foot print
- Mexico: Working in Rule of Law
- Mexico: Facing opportunities and challenges
- Mexico: A growing industry environment with the chance to influence the future

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